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Under present fiscal policies, boards of education do not have enough money to provide the kind and quality of educational programs needed for the well-being of our society.

The following policies offer promise as guides. The financial burden should be shared by all citizens and by all levels of government. Determination of needs should be the responsibility of local boards of education. Educational support from local taxes should be determined by total burden of local government of the local tax base. Local boards should be free from unreasonable administrative controls. The federal government should support education when local and state resources are insufficient to provide acceptable educational programs. The level of financial support should be kept responsive to the fluctuations of inflation and deflation in the price structure of the economy.

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FISCAL POLICIES TO MEET THE NEEDS OF THE GREAT CITY SCHOOL SYSTEMS IN AMERICA

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"If we were to suppress our educational system for a single generation, our equipment would decay, most of our people would die of starvation and intellectually and spiritually we would slip back four thousand years in human progress."

Herbert Hoover

The public school systems of the great cities in America are in serious financial difficulty. Costs of education are rising faster than revenues. The situation is approaching a crisis with harmful effects not only in the cities but also in the nation at large. Every thoughtful citizen bears the responsibility to give this problem his careful attention.

Cities lack sufficient access to tax resources to provide adequate financial support for their many vital governmental operations. In particular, they are unable to utilize equitably their economic resources for education. The issue is a matter of proper fiscal policy. Steps should be taken so that the desire of the public for a quality program of education may find unequivocal expression in state laws. These laws should contain policies which serve as guides to solutions of this problem.

The great cities, like other communities throughout the nation, are investing too little of their economic resources in education. Citizens need to take careful stock of the crucial importance of education to their well-being and to give education a high priority among the things they value in our society. The public must take action through their representatives in government to

secure appropriate fiscal policies to remedy the situation.

Fourteen of the great cities in America are conducting studies of fiscal problems in their school systems. The initial findings suggest some policies which could point the way out of the present dilemma in these cities, and possibly in other types of communities as well.

THE PROBLEM

In the great cities, and in other school systems as well, the problem is this: Under present fiscal policies, boards of education do not have enough money to provide the kind and quality of educational program needed for the well-being of our society. Fiscal needs far outrun the potential funds from prevailing revenue sources.

Why has this problem arisen? The increased fiscal needs are chiefly the result of a combination of factors: (1) rapid increase in the school age population; (2) shortage of qualified teachers prepared to cope with the educational problems of great cities; (3) obsolescent school plants; (4) need for additional plants at ever-increasing site and construction costs; (5) high population density; (6) great population mobility; (7) excessive retardation and failure of pupils; (8) large numbers of dropouts; and (9) performance of functions which are not intrinsically educational.

Boards of education are operating schools with budgets which are inadequate to cope with the problem facing them. Sources of revenue are too restrictive, too inelastic in relation to the fiscal demands of education and the ability of the economy to meet those demands. The property tax is the predominant source of funds. This source is relied upon heavily for other

local functions of government. In some states, the city school systems have been given some relief in the form of local non-property taxes. These sources, in the main, provide only a partial solution. States that have gone farthest toward a solution of this problem have relied on property taxes at the local level and non-property taxes at the state level. However, inadequate financial support persists in varying degrees. No state has put its fiscal policies in complete order on this important issue.

THE SOLUTION

The following policies offer promise as guides for a solution to the fiscal need of the school systems in the great cities:

1. The financial support of public education should be a responsibility shared by all citizens and all levels of government.

> In every state the provisions for financing schools are established by the legislature. It is incumbent upon each state legislature to reassess its fiscal system for school support and to adopt measures which are essential to the support of public education. Local school officials cannot act for the citizens beyond the limits set by state law. When the limits on finance make it impossible to operate the schools to obtain a desired quality, the citizens can turn to legislature which is the source for provisions to remedy the situation. If there are problems which can be solved better through action of the federal government, citizens can call upon this government to participate.

2. The state program for financial support should recognize the complex needs of the city school systems but the determination of the needs should be the responsibility of the local boards of education.

> School systems must organize instructional programs and special services for a wide range of students. There are the highly gifted, the physically handicapped, the slow learners,

the emotionally disturbed, those who need special vocational training earlier than usual, the drop-outs who might be persuaded to return under new circumstances, and older adults who need further schooling. The great cities have a disproportionately large number of pupils who need special guidance and instruction in small groups, if not individually. Special services to meet these needs increase the operating costs. Capital needs for buildings and facilities to maintain up-to-date programs require large expenditures in addition to operating costs. If the state financial program does not include provision for these costs, the local tax base may be overburdened or sufficient funds for effective operation may not be available.

3. The measure of the local school district's ability to contribute to the support of education should be in terms of the total burden of local government cost borne by the local tax base.

The local tax base should not be expected to bear more than a fair burden in the total load that it carries for education and other services of government. A reasonable limit of financial support which the school district should be expected to obtain from the local tax base is dependent upon the burden placed on this base by other local governments. As the amount of local tax for other government goes up, there is less left for education.

4. Local boards of education should be free from unreasonable restrictions in the administration of fiscal affairs, from undue controls by other governmental agencies, and from cumbersome legal procedures at state and local levels which thwart effective expression of citizens.

A great many factors shape the detailed needs of the educational program in a local school district. No two districts are exactly alike. When school boards are hampered in the exercise of their judgment to solve the great variety of problems facing them, the education of individuals suffers. The most serious restrictions on school boards are powers which some legislatures give to officials in non-educational government to: (1) approve the school budget, (2) make supplementary appropriations, (3) set the school tax limit, and (4) exercise accounting control in the administration of the budget.

5. The fiscal procedures for adequate school support should provide the school districts with direct access to taxes which can be administered best locally and indirect access to those which can be administered best at the state level.

> The property tax is by far the most important of all tax bases to be administered locally. Some legislatures permit local school districts to levy certain non-property taxes as minor supplements. Generally, non-property taxes on income and business transactions are more suitable for collection by state government and distribution to school districts through objective procedures. Thus through the state government citizens have indirect access to other tax bases which cannot be administered effectively at the local level. The combination of direct and indirect access to taxing ability should provide (1) an adequate amount of funds, and (2) a reasonable equalization of the total tax burden among various tax bases for support of all state and local governmental functions.

6. The state fiscal plan should include objective procedures to provide adequate funds for operating expenses and capital outlay and debt service payments.

> The costs of a program of education of adequate quality for all students vary from one community to another depending upon conditions under which schools must be operated. One extreme situation is in rural areas where transportation and small schools add to the cost. Another is in the great cities where high density of population and disparity in the make-up of the school population add extra expense. Unless these over-riding costs which are beyond the control of local school boards are taken into proper account in the procedures for distribution of state collected funds, the educational programs suffer. Objective procedures for this purpose must be tailor-made in every state to fit the variety of circumstances among the school districts. In districts with fast-growing school population, capital outlay and debt service costs for replacement and expansion of school plant facilities often reach as high as a third of the operating budget. The state fiscal plan must include adequate provision for essential elements of operating costs and sufficient resources for capital outlay and debt service to avoid crippling the education program.

7. The federal government should participate in the support of education when the national interest requires it and when local and state resources are insufficient to provide an acceptable educational program.

> There are wide differences of opinion about the role of the federal government in the financial support of education. However, two principles relating to unique need seem to be gaining favor among citizens: (1) support of such activities as special programs for training persons in critical fields and for research and development in strategic areas required in the national interest, and (2) assistance in meeting educational needs which cannot be met with reasonable effort by states and local school districts on their own.

8. The level of financial support of public education should be kept responsive to the fluctuations of inflation and deflation in the price structure of the economy.

> School costs vary in accordance with the amount it is necessary to spend for personnel services, consumption of material goods, and capital facilities. The state fiscal plan must be flexible enough to provide appropriate adjustment of these costs as prices change. In periods of economic inflation the quality of education suffers unless school costs are adjusted upward in adequate amounts. In periods of economic deflation these costs, with care, can be adjusted downward without sacrificing attained quality. However, periods of deflation are times to consider possible gains in unattained quality through holding the line on school costs to the extent necessary for this purpose. Insofar as educational needs warrant it, the support program should finance capital needs in periods of deflation to take advantage of lower construction costs which will in turn help stabilize the price structure.

These policies call for dynamic participation of all levels of government in supporting public education; these policies permit citizens complete access to their true economic ability; and finally, they provide for the equalization of tax burden for the support of public education. A summary of these policies may be stated in a general formula as follows:

Total Cost of Budgetary Needs (Operating and Capital Budgets)	Equals	Share from Local Taxes	Plus	Share from State Taxes	Plus	Share from Federal Taxes

The basic principles for determining amount of funds for each of the elements in this formula are:

Total Cost of Budgetary Needs

The estimation and justification of fiscal needs are the responsibility of the local board of education. Conditions for providing educational programs of excellence are complex and variable among school districts. Provision should be made in the budgetary costs for proper allowance of all essential components of the educational program.

Share from Local Taxes

The local share of costs should constitute that proportion of the total budget which can be supported from the local tax base in accordance with ability. A fair tax burden on the local tax base should include the burden of support on this base for non-educational functions of government.

Share from State Taxes

The state share, indicated in the formula, should be in proportion to the extent to which the prescribed burden on the local tax base is utilized. The state should set minimum and maximum percentages for sharing in the cost of local budgets. A minimum percentage would provide some state funds to the districts of highest ability. A maximum percentage would set the limit of equalization to the districts of lowest ability.

Share from Federal Taxes

The share from federal sources should support those programs which

are in the national interest and should also supplement the state and local shares in relation to unmet financial needs.

THE CONCLUSION

The public school systems in the great cities face a crucial challenge to provide the kind of education that is necessary to meet the social, economic and technological changes taking place today in America. This challenge cannot be met without a renewed determination by the citizens. It cannot be met without adequate financial support to provide the school systems with the necessary vigor to accomplish the task expected of them.

These policies are guides for citizens to take resolute action in ways that they deem appropriate through their local, state and federal levels of government. These guides are pointed to the solution of the fiscal problems in the great cities. They possess flexibility for development of procedures to meet the variable problems among these cities. They are applicable to all types of public school systems in the nation.